The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service
July 2003

Mapping Out Opportunities In Oceania

Reaching Out to New Zealand's Brisk Market for Consumer-Oriented Goods

Satisfying Australia's Appetite for Something Sweet

TRADE SHOW OPPORTUNITY

6TH AMERICAS FOOD AND BEVERAGE TRADE SHOW AND CONFERENCE

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Best Products: Bakery items, beer, wines and liquor, breakfast cereals, chocolate candy and other confectionery candies, coffee and tea, dairy products, convenience foods, diet foods, ethnic foods, dried fruits and vegetables, frozen foods, gourmet foods, grocery products, ingredients, juices and other beverages, kosher foods, pet foods, poultry, sauces, spices and condiments, seafood and snack foods

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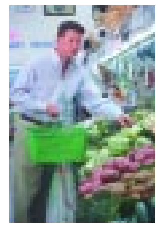
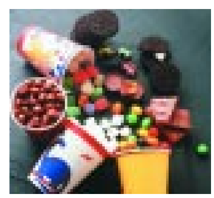
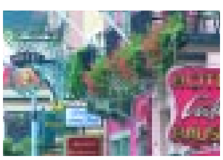
United States Department of Agriculture
Foreign Agricultural Service

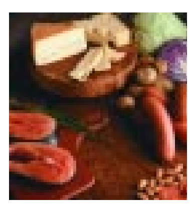
July 2003

Features









Trade Show Opportunities

Volume XV, No. 7

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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Subscription Information:
Subscriptions are available from the National Technical Information Service, Tel.: (703) 605-6060) and can be charged to VISA, MasterCard or American Express. Subscriptions are also sold by the Superintendent of Documents, U.S. Government Printing Office, Internet: bookstore.gpo.gov; Tel., toll-free: (866) 512-1800, DC area: (202) 512-1800; Fax: (202) 512-2250; Mail: Stop SSOP, Washington, DC 20402-0001.

Subscription information is also available from FAS, Tel.: (202) 720-7938 or (202) 720-9445.

New Zealand Retailers Are Ready To Buy

By Vinita Sharma

Although half a world away, New Zealand offers a familiar business environment for U.S. exporters, including language, communication and customs. New Zealand is a small country located in the South Pacific region. It is comprised of two main adjacent islands, the North Island and South Island, and a number of smaller islands.

New Zealand is a well-developed market consisting of 4 million people. New Zealand's population is diverse and multicultural. Approximately 76 percent of New Zealanders are of European origin, around 12 percent Maori, 6 percent Polynesian and 6 percent Asian. It has a strong and stable democracy and a well-developed economy.

In calendar year 2001, New Zealand imported $900 million worth of consumer-ready foods, out of a total $1.4 billion worth of agricultural imports. Australia supplies more than half the total value of New Zealand's consumer-oriented food imports, largely due to lower transport costs and the lack of tariffs on Australian food products.

The United States is New Zealand's second largest trading partner for agricultural products. New Zealand consumers view U.S. food products as innovative and of high quality. According to the FAS Wellington office, in calendar year 2001, U.S. agricultural exports to New Zealand totaled $100 million, much of which consisted of consumer-oriented products.

Demographic Shifts

New Zealand consumers are open to new and unique U.S. food products, and like their U.S. counterparts, they often eat

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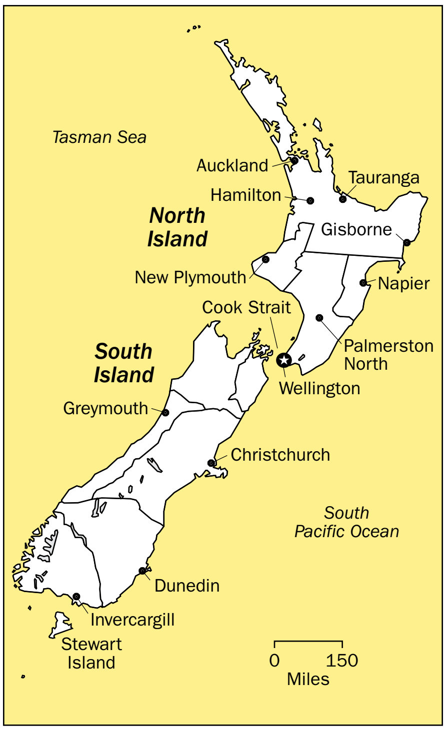
THE UNITED STATES ENJOYS A 12% SHARE OF NEW ZEALAND'S CONSUMER FOOD IMPORTS.



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on the run. Consumer-ready and convenience foods, therefore, are increasingly popular. Over the past four years, supermarket sales of ready-to-eat meals in New Zealand have doubled to $21 million.

The trend towards healthier meals is growing, and consumption of red meats and dairy products has been declining, while consumption of vegetables, fruits, fish and poultry has been increasing significantly.

Increased immigration has created demand for foods from Asian, Mexican, Mediterranean and Indian cultures. Not surprisingly, New Zealand supermarkets are responding by devoting increased shelf space to ethnic products.

As recently as 10-15 years ago, most people dined out at hotel restaurants, but a café culture and restaurants of international reputation are now firmly established throughout the country. Similarly, fast-food restaurants offering everything from burgers to kebabs are now a common part of the eating-out scene.

The typical New Zealand family spends about 20 percent of total household expenditures on food. New Zealanders spend almost one out of every four food dollars on meals away from home. By 2010, this is expected to increase to one out of every three food dollars.

Market Structure

The New Zealand grocery industry is highly developed, with supermarkets and convenience stores in all population centers. The New Zealand supermarket food retail sector is a $5 billion industry. Close to 70 percent of all retail food sales are made through supermarkets, with the balance through corner stores called dairies and gas station convenience stores.

New Zealand's retail food sector is

dominated by two large chains–Progressive Enterprises (owned by Australian retail giant Foodland Associated) and Foodstuffs (NZ) Limited. The latter holds 55 percent of the national supermarket business.

In addition to its stores, Foodstuffs Limited currently has three regionally based buying cooperatives. The regional offices make independent buying decisions, so U.S. exporters should contact each of them in order to make sales. By contrast, Progressive Enterprises conducts all its New Zealand buying through its headquarters in Auckland.

A major challenge to expanding U.S. consumer-oriented food exports to New Zealand is the significant output of products produced in Australia by multinational food companies that come into New Zealand duty-free. This includes many familiar U.S. brands, including Kellogg's, Campbell's, Mars, Ocean Spray and Old El Paso. Other companies process products within the region, such as Nabisco, which has cookie operations in Indonesia.

Tariffs on imported goods from countries other than Australia and Canada usually range from 0 to 7 percent, and the government intends to lower them more over the next few years.

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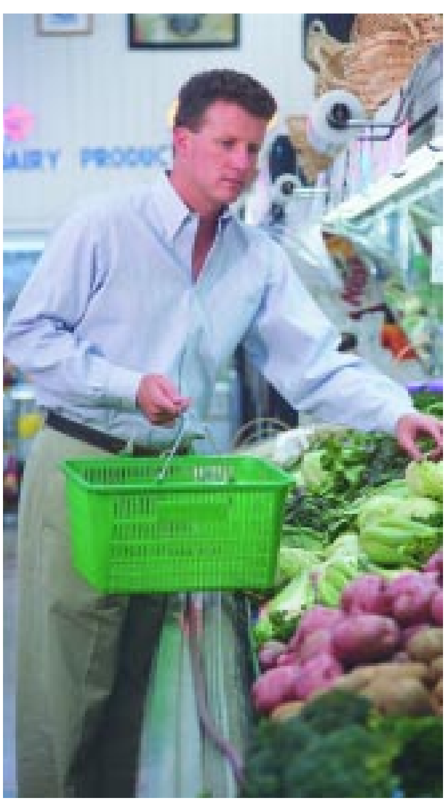

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Exporter Tips

New Zealand is a sophisticated market that is interested in new-to-market food products. New Zealand's importers like to deal directly with U.S. manufacturers rather than brokers. Local agents and distributors can help in facilitating and promoting exports of some U.S. consumer-ready foods. Many importers visit the United States at least once a year to see what the market has to offer.

Every year, several New Zealand importers attend popular trade shows like the Food Marketing Institute and Fancy Food shows to seek new and unique products. These trade shows are also good places for U.S. exporters to meet New Zealand importers. Trade shows in New Zealand that target food importers also offer a good opportunity for U.S. exporters to showcase their wares.

The FAS Wellington office regularly participates in New Zealand food shows. In August this year, FAS will organize booths in two important trade shows—Foodstuffs' Fresh Food Show (geared to fresh produce, fish, meats, tree nuts and dried fruit) and New Zealand Hospitality Show (mainly for consumer-ready food products). These events offer a great opportunity for U.S. exporters to introduce their products at a very modest cost (exporters will incur only mailing costs if the food products have extended shelf-life). These trade shows will target New Zealand food industry buyers, importers and wholesalers. ■

The author is an administrative assistant with the FAS office in the U.S. Embassy, Wellington, New Zealand. For more information, or assistance in entering the New Zealand food market, contact that office at: Tel.: (011-64-4) 462-6030; Fax: (011-64-4) 462-6016; E-mail: fas@usda.america.org.nz

For details, see FAS Report NZ2037. To find it on the Web, start at **www.fas.usda.gov,** select **Attaché Reports** and follow the prompts.

New Zealand Consumers Opt for Quality

By Vinita Sharma

The largely urban population of New Zealand supports an advanced food and agricultural marketplace—two-thirds of its 4 million residents live in Auckland, Wellington and Christchurch. With a highly competitive, export-oriented agricultural and food industry, New Zealanders know and seek high-quality, good-tasting foods. They also have a penchant for trying new products.

U.S. Consumer Products Best Sellers

Approaching $50 million in 2001, U.S. consumer-oriented sales accounted for about 45 percent of total U.S. agricultural exports to New Zealand. And here's why:

- In 2001, half of New Zealand's home cooks took advantage of prepared ingredients and "heat-and-eat" chilled and frozen foods.
- Sales of ready-to-eat meals have doubled over the past four years to $31 million.
- Consumption of ethnic carry-out meals is on the rise.
- And even in this land where lamb retains its traditional popularity, close to half of the population eats at least one meat-free meal weekly.

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Two Supermarket Chains Dominate

The two chains that dominate the country's supermarket sector, Foodstuffs (NZ) Limited and New Zealand Progressive Enterprises, operate more than 360 stores throughout the country. Over 150 are in Auckland, 91 in the lower half of the North Island, which includes Wellington, and 115 in the South Island.

Supermarkets usually offer a variety of products that encompass fresh produce, salads, sandwiches, deli foods, prepared pasta and bakery products, fresh seafood, gourmet cheeses, other dairy products, and frozen and dry packaged groceries. Foodstuffs Limited has begun offering other services, like banking. The major

21034

chains buy fresh fruit and vegetables from both local suppliers and importers.

Gasoline + Convenience Store

Open 24 hours a day, almost 1,500 gas station convenience stores account for about 20 percent of retail food sales. Five competing gasoline companies operate in New Zealand. They sell fast food, snacks and a limited range of grocery items.

Just over two years ago, the first stand-alone convenience store, not connected with a gas station, appeared in a neighborhood where foot traffic is predominant. Another recent trend is a supermarket chain partnering with a gasoline station chain to offer greater shopping convenience.

One gasoline convenience store company has introduced a food concept novel to the country—fresh, café-style food and gourmet coffee, available 24 hours a day.

Traditional Stores Still Present

About 1,500 small groceries (called dairies, which offer a limited selection of staple and snack foods) and specialized fresh produce shops account for most of the remaining retail sales.

Traditional, open-air markets that specialize in fresh produce and fish are still found in cities. Dairy stores often depend on these markets and supermarkets for their food supplies.

Consumers Lean Toward Convenience

New Zealanders 18 to 44 years old tend to rely less on the three traditional daily meals; they snack between meals and are concerned over pricing, the environment and eating healthy.

Aside from a common interest in price, consumers over 45 have different food purchasing criteria: product quality, service, safety and convenience.

Biotech Approval Process in Place

New Zealand consumers are becoming increasingly aware of, and concerned about, the food they eat.

FSANZ (Food Standards Australia New Zealand) develops and maintains New Zealand's traditional and biotech food standards. The New Zealand Food Safety Authority enforces labeling laws.

New Zealand's labeling requirements are similar to those of the United States. New FSANZ labeling standards for domestic and imported food products took effect in December 2002.

The new labels must contain nutritional information panels that list the percentage content of the main ingredients, major allergens, details about the New Zealand importer and a "best before" date for foods with a shelf life under two years. Measurements must be in metric. If a product contains a biotech ingredient, the words "genetically modified" must be next to the ingredient. Stickers are allowed but must not obscure other label information.

New Zealand began a mandatory standard for foods produced using biotechnology in 1999. Any foods sold in the country that were produced using gene technology must be assessed by and listed in the food code standards maintained by FSANZ.

Biotech foods on the market when the standard went into effect are currently sold under a temporary exemption. Approval is contingent on having obtained approval from foreign health agencies like the U.S. Food and Drug Administration or having an application under FSANZ review. As of April 2003, FSANZ had approved 20 of 24 applications.

There are some exemptions from biotech labeling of foods:

- Highly refined foods from which novel DNA or novel protein is removed (the "novel" designation identifies a product with DNA or protein varying from traditional products as a result of gene technology)

- Additives and processing aids that do not contain novel DNA or novel protein in the final food
- Flavorings at or below 1 gram/kilogram (0.1 percent) in the final food product
- Up to 10 grams/kilogram (1 percent) biotech content per ingredient of food in which its presence is unintended
- Foods sold from vending vehicles, restaurants, take-away outlets, caterers or self-catering institutions

Further details on New Zealand's food standards, including a list of approved biotech products, can be found at: **www.foodstandards.gov.au**

Best Sellers

Many multinational companies, including some headquartered in the United States, have food manufacturing bases in Australia and established brands in the New Zealand market. Aside from Australia and Canada, whose products enter duty-free, the United States faces limited competition in exports of consumer-oriented food products to New Zealand. These products are doing well:

- Fresh fruits, especially grapes, stone fruits (nectarines, peaches and plums), strawberries, cherries, citrus and pears during the off-season
- Snack foods, including almonds, pistachios and walnuts
- Dried fruits, including raisins, mixes, dates and figs
- Microwaveable meals, frozen foods, meal replacement drinks, soups, pasta, sauces, dressings and canned foods
- Fruit juices and flavored drinks
- Health foods, such as high-energy bars and drinks
- Organic foods, including cereals and snacks
- Niche market food preparations, especially new products or those offering special nutrition, convenience or taste qualities
- Pet food
- Canned salmon

And for those looking to develop or expand into new markets:

- Ethnic foods
- Wines, particularly high-end varieties

Best Market Entry Strategies

Since 90 percent of all imported retail food is distributed through New Zealand agents and distributors, U.S. exporters need to find importers who can target food buyers representing convenience stores and supermarket chains. A good way to find these importers is through contacting the FAS Wellington office and participation in international food shows.

Many convenience stores still buy their wares from supermarkets, but this trend is changing as they turn to importers and local manufacturers.

Advertising and product sampling in supermarkets help promote new items. Suppliers can also advertise in national food retail magazines. Fresh products can be marketed directly through specialty importers who offer storage and handling services to major supermarkets.

Specialty importers may also be good candidates as buyers of dried fruits, nuts and other consumer-ready products. Dry food products are often imported in bulk and repackaged into smaller retail sizes. ■

2118

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For details, see FAS Report NZ2039. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Australians Crave Innovative Confectionery

Its 19 million residents make Australia the 51st largest country. But the country's sweet tooth ranks No. 9 worldwide for chocolate consumption and No. 11 for sugar confectionery (everything sweet).

In Australia's fiscal year 2001 (July 2000-June 2001), the country imported $189 million worth of confectionery (sugar, chocolate and chewing gum), out of the total $1.25 billion sold. The United States supplied $20 million worth of these imports, making Australia our 15th largest confectionery market, with chocolate sales of $13 million, sugar $6 million, and gum $1 million.

Nine out of 10 Australians regularly consume confectionery, 80 percent of it in the chocolate and sugar categories.

Three major multinational companies—Cadbury, Nestlé and Mars/Kenman—account for more than 75 percent of the market, though Lindt has the fastest growing boxed chocolate sales. Wrigley's has an unassailable 98-percent share of the chewing gum market.

About 55 percent of confectionery sales are through supermarkets. The supermarket segment has been growing, which is of some concern to the industry, as this segment produces lower margins for manufacturers and offers fewer opportunities for impulse sales!

The remaining 45 percent of confectionery is sold through outlets such as milk bars (coffee shops), convenience stores and specialty shops.

Strategies for Market Entry

With Australian consumers already receptive to U.S. products, a new supplier's principal concern is finding a reputable agent, distributor or import broker—preferably one experienced with confectionery sales in both major wholesale and supermarket chains.

It pays to advertise and help retailers with merchandising. Exhibiting at Australian food shows also draws new customers. And if you are introducing unique or innovative products, be prepared to join forces with an Australian company to introduce them.

Distribution Is Straightforward

In Australian grocery retailing, there are two major distribution channels, the independent distributor and chain supermarkets.

Confectionery accounts for up to 5 percent of retail grocery business. It is the third largest seller after cigarettes and soft drinks in convenience stores.

Metcash is the dominant wholesaler and distributor in Australia and sells to independent supermarkets, small chain supermarkets and banner groups (independent stores that purchase and market under the same name).

The major supermarket/discount store chains usually have their own distribution networks, and also sell to some of the smaller grocers.

Profiling Consumers

Confectionery buyers tend to be between 24 and 49 years old and more affluent—consumers in the top 10 per-

20326

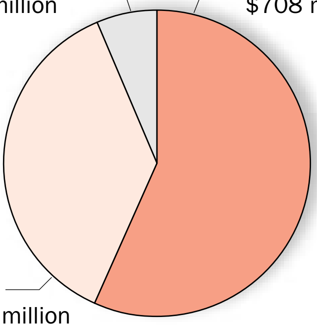
cent of income buy almost twice as much as those in the lowest 10 percent.

Australian consumers are now reversing a long trend toward less frequent, larger shopping trips. As they shop more frequently for fewer items, they are also demanding more innovative and convenient confectionery products (single-serve portions are expanding). As impulse buys account for 70 percent of confectionery purchases, it is important for suppliers to market their products to attract the consumer's attention.

Functional food products (those with a specific positive nutritional benefit, like energy bars) appeal to the Australian consumer looking for added benefits. The sugar-free sector is currently valued at close to $9 million and is growing steadily. Since consumers are attuned to functional products that promise a reduction in the risk of disease and promote well-being, they are searching for products that are better for them, taste great and can be consumed on the run.

However, it is still the chocolate bar sold at retail that drives growth and market share, with only children's products experiencing declines.

Chocolate Led Australia's Confectionery Sales in 2002*



Market totaled $1.245 billion.

*Australia's fiscal year: July 2001-June 2002.

Expenses To Expect

All goods imported into Australia must be cleared by customs. The importer is responsible for obtaining formal customs clearance. Confectionery duty rates are set at 5 percent. There are other costs you will also need to consider:

- AQIS (the Australian Quarantine and Inspection Service) conducts random inspections of confectionery items. Suppliers are responsible for charges of $20 to secure release, and $37 for every half hour of inspection and analysis.
- Customs charges $136 for a shipment coming by sea or air, and $542 for a shipment imported through the postal system.
- Australia imposes a 10-percent goods and services tax on confectionery products.
- Convenience store markups are the highest in the retail sector, at about 40 percent. Supermarkets tend to be much less. Slotting fees and space management fees vary greatly and can be negotiated. Larger supermarkets tend to charge more because they offer more shelf space.

Market Access

Australia's control over food safety and food standards requirements is generally straightforward. If customs rules are followed, the food entry process usually runs smoothly.

Food imported into Australia must comply with the Quarantine Act 1908, the Imported Food Control Act of 1992 (food safety) and the code of FSANZ (Food Standards Australia New Zealand).

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The FSANZ code requires English labeling that includes:

- Description of product
- Manufacturer and importer details
- Country of origin
- Batch/lot codes
- Use-by date
- Net weight of contents
- Ingredients
- Nutritional content
- Warning statements, if needed
- Presence of biotech ingredients, if any

For further details, go to: **www.foodstandards.gov.au**

This article is based on a report prepared by a contractor for the Office of Agricultural Affairs at the U.S. Embassy, Canberra, Australia. Tel.: (011-61-2) 6214-5854; Fax: (011-61-2) 6273-1656; E-mail: fas@optusnet.com.au

For details, see FAS Report AS2042. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

U.S. Consumer-Oriented Products Hit the Mark with German Consumers

By Christel E. Wagner and Dietmar Achilles

5203

The world's fourth largest economy may not be growing by leaps and bounds at the moment, but Germany's demand for consumer-oriented foods helps keep its total food and beverage market at $164 billion a year, the EU's (European Union) biggest marketplace.

At $20.4 billion in calendar year 2002, consumer-ready food imports accounted for 65 percent of the value of Germany's total agricultural imports. U.S. trade statistics reported consumer-oriented food exports to Germany of $297 million in 2002. However, official German government statistics have upped that amount to $381 million due to transshipments through Benelux ports.

Times Are Changing

Certain trends help explain why Germany's 82.4 million population has become a top target for valued-added items:

- The population is aging and relatively affluent.
- The numbers of wage-earning women (who prefer convenience) and single-person households (with more money) are increasing.
- The large immigrant population has introduced traditional cuisines and appealing new tastes.
- The German penchant for international travel has whetted an appetite for ethnic products back home.
- Germans have also shown tendencies to buy more "natural" and organically produced items—diets are including more low-fat meat and dairy products, fruits, vegetables, functional foods and juices—and to decrease alcohol consumption.

Certain economic factors are also shaping Germany's food marketplace. They may affect when and how you sell your product:

- The German economy has been relatively slow since the mid-1990s.
- In the former East Germany, personal incomes lag and unemployment rates are high compared to the rest of Germany.
- Recent strengthening of the euro is expected to have a positive impact on U.S. exports to Germany in 2003.

Basics Go Cheap, Specialties High

Slow growth in food and beverage sales has led to fierce competition among retailers, encouraging buyouts and consolidation.

Other results of this competition have been basic food products priced for marginal profits or below cost, while premium and specialty items carry higher prices. But their increased costs have not dimmed demand, providing opportunities for U.S. suppliers.

Lending a Hand

Retailers seldom import directly from outside the EU, so most imports are handled by import agents or brokers who tend to specialize in certain products. Finding the right import partner is fundamental to success in the German market.

Since German importers bear legal liability for imported products marketed in Germany, they have a strong interest in working with suppliers to ensure that all import and marketing requirements are met.

Keen competition for shelf space coupled with the lowest retail price margins in Europe require strong support for new products from suppliers. U.S. exporters who want to develop this market must be prepared to assist German importers with promotions, especially for new-to-market products. To assure an easy market entry:

- Start with smaller shipments; your broker can consolidate shipments and arrange nationwide distribution.
- Comply with German and EU regulations.
- Budget time and money to market products nationally; in-store promotions, ads and exhibits at trade and consumer fairs tend to be preferred methods.

With import restrictions and food law requirements limiting the range of products from non-EU countries, large promotional campaigns typically concentrate on products not available in the EU. Also be aware that introducing a new product will require some 12-18 months to test for market acceptance.

Due to shipping costs, duties and other expenses associated with imports, U.S. products become relatively high-priced items and therefore may be sold only in limited quantities.

Once a U.S. processed food product is sold in large enough quantities, production is often relocated to an EU site, thereby reducing product cost, in particular shipping and special packaging costs.

Production is often contracted with local producers, either as a subsidiary or through a licensing arrangement. The Tex-Mex segment has taken advantage of this production venue, with many of its products now being produced in Germany and other European countries.

Who Are the Competitors?

Well over half of Germany's $34 billion worth of annual food and agricultural imports comes from France, the Netherlands and Italy. Top consumer-oriented items from these countries include meat and dairy products, fresh and processed fruits and vegetables, other

What To Expect in the Competitive German Marketplace

Advantages	Challenges
Germany is among the world's largest food and beverage importers.	Import tariffs on certain products are high, with EU enlargement giving preferential access to current and future members.
Organic, specialty and private label products are popular.	German buyers demand quality at low prices; discounters are the fastest growing segment of the retail market.
Many established importers provide a developed distribution system.	Retailers seldom import products on their own.
U.S.-style products appeal to affluent, younger consumers.	Retailers often charge high listing fees.
Immigrant populations and travel abroad have broadened demand for a greater variety of ethnic foods.	Profit margins on retail foods are thin.

5216

processed foods, wines, flowers and other nursery products.

German expenditures for non-EU food imports exceeded $11 billion in 2002 and included many consumer-oriented products from countries other than the United States.

These suppliers are located in Eastern Europe, the Mediterranean, Latin America, the Caribbean and South Africa. Non-EU imports tend to be products not available in the EU due to climate or season. Major imports from these countries include fresh and processed fruits and vegetables, spices and coffee.

Best Bets for U.S. Suppliers

Specialty items unavailable in the EU have good sales potential. These could encompass delicatessen and snack foods, novelty products, prepared meals or food products unique to the United States, spices, dried vegetables, wild rice, health foods, nutritional and functional foods and nutritional supplements. Specific categories include:

- **Ethnic.** Tex-Mex and other ethnic products, particularly prepared and convenience items.
- **Organics.** Snacks and convenience foods. Germany is Europe’s largest organic food market, with retail sales of $3 billion in 2002.
- **Tree nuts.** Used mostly as ingredients—almonds, walnuts, hazelnuts, pecans, pistachios, as well as peanuts and confectionery-quality sunflowerseeds.
- **Dried fruits.** Found mostly in breakfast cereals and baked goods, also popular as snacks.
- **Wines.** This largest importer of wines appreciates New World vintages. Imports (valued at $170 million in 2002) account for half of domestic consumption.
- **Unique or out-of-season fruits and vegetables.** Green asparagus, grapefruit, pears and certain soft fruits and berries. Popular juices include orange, grapefruit, cranberry and prune.
- **Fish.** Lobster and Alaskan pollock
- **Pet food and related items.**

Regulations and Labeling

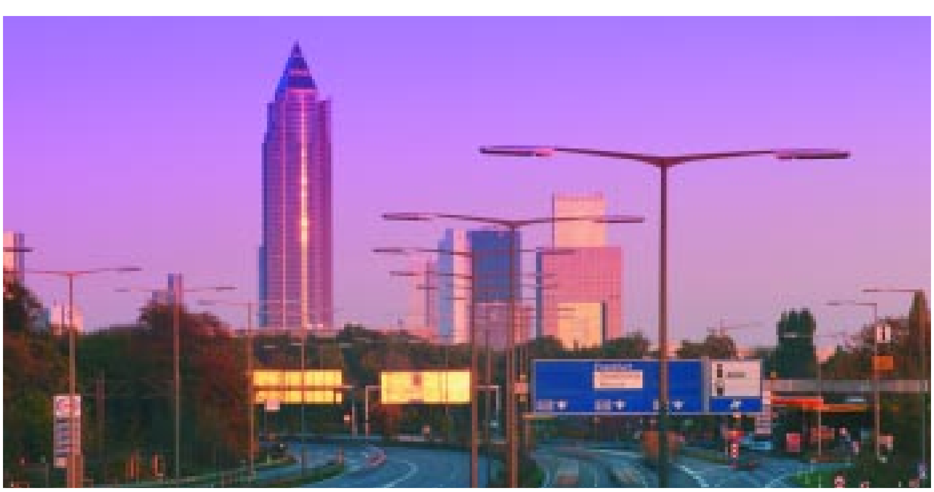
All imported foods must comply with German and EU regulations for ingredients, packaging and labeling, as well as with applicable veterinary or phytosanitary requirements. No official agency is responsible for food label registration, but private food laboratories do provide registration services.

All imported food and beverage products must be labeled in German and contain the following information:

- Measurements in metric
- Ingredients and additives
- Shelf-life date
- Name and address of manufacturer or importer within the EU

Special labeling requirements exist for nutritional value, vitamin-enriched and dietetic foods, along with mandatory and voluntary standard container sizes for specific products. Imports with extra requirements:

- Most additives (except for a short list of general-use items), colorings and artificial sweeteners are approved only for specific use. The only allowed irradiated foods are dried aromatic herbs, spices and vegetable seasonings.
- U.S. meat, poultry and seafood products can be imported only from EU-approved plants. The EU still bans beef produced with growth-promoting hormones.
- A USDA phytosanitary certificate must accompany U.S. fresh fruits and vegetables and unprocessed nuts. ■



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For details, see FAS Report GM3004. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Poland Looks West as Its Economic Possibilities Expand

By Wayne Molstad, Jolanta Figurska, Natalia Koniuszewska and Michelle Gregory

This article is the first in a series that **AgExporter** *is planning to run on the 10 countries in Central and Eastern Europe that are preparing for full EU membership, and the implications of those accessions for U.S. agricultural exports. These articles will appear in various issues between this one and May 2004, when the accessions are scheduled to be completed.*

Poland is located in the very center of Europe, bordering Germany to the west, the Czech Republic and Slovakia to the south and Ukraine, Belarus and Lithuania to the east.

At 38 million, Poland's population equals over 50 percent of the combined population of all 10 countries likely joining the EU (European Union) May 1, 2004. While recent declines in consumer demand and rising unemployment have slowed economic growth, Poland has effectively made the transition to a market economy.

Joining the EU

Poland will become a member of the EU on May 1, 2004. At that time Poland will fully implement EU trade rules and regulations and replace its current tariff schedule. What will this mean for the prospects of U.S. agricultural exporters?

U.S. businesses exported $76.6 million worth of agricultural, fish and forest products to Poland in fiscal 2002. Actual U.S. exports are likely higher because millions of dollars worth of U.S. products ultimately arrive in Poland after transshipment, processing, packaging and some resale, primarily via West European intermediaries. This is evident from Polish official import statistics that record total calendar 2002 U.S. agricultural imports by Poland at $133 million.

Although U.S. export sales to Poland have been erratic in recent years, prospects for future growth of sales of some U.S. products are reasonably bright.

A major factor currently enhancing U.S. export competitiveness is the weakening the U.S. dollar in relation to the Polish zloty and the euro. In the first half of 2003, the dollar was down almost 6 percent versus the Polish zloty compared with the same period of 2002. The favorable exchange rates are making U.S. goods more affordable on the Polish market.

Poland is one of the largest economies in Central Europe. Economic growth has slumped to 1 percent in the last two years, but is expected to revitalize following EU accession. Of course, current agricultural trade policy issues between the United States and the EU will then extend to Poland.

For example, the current EU veterinary restrictions on U.S. poultry and red meats would virtually eliminate U.S. exports of these products to Poland, nearly $38 million in fiscal 2002.

On the other hand, agricultural import duties will decline for items such as dried fruits and nuts, sunflower seeds, wines and certain seafood products.

In anticipation of its EU membership, the Polish government is adopting standards and regulations for trade of agricultural products that are similar to those of

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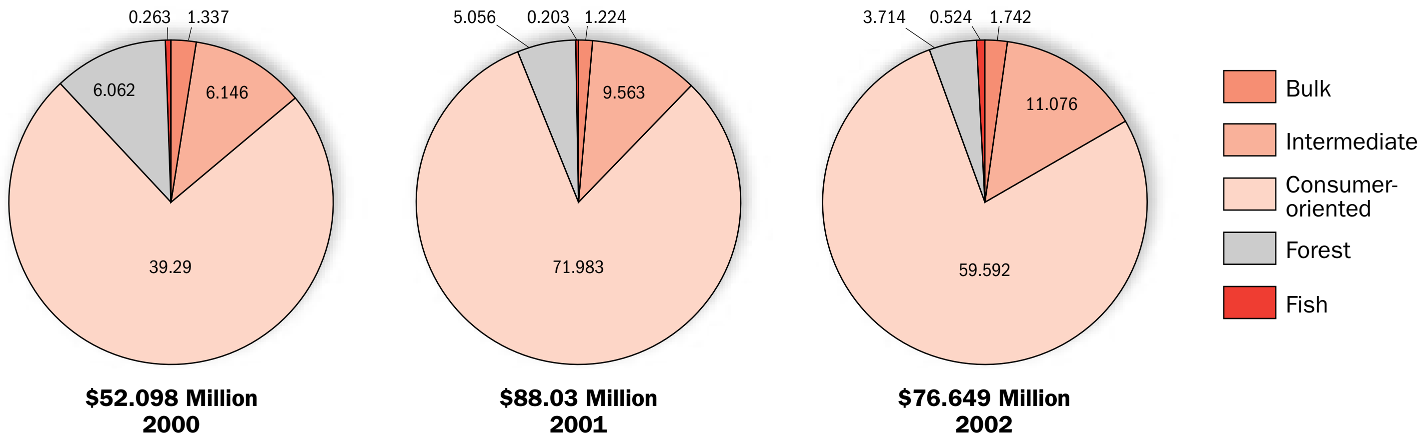
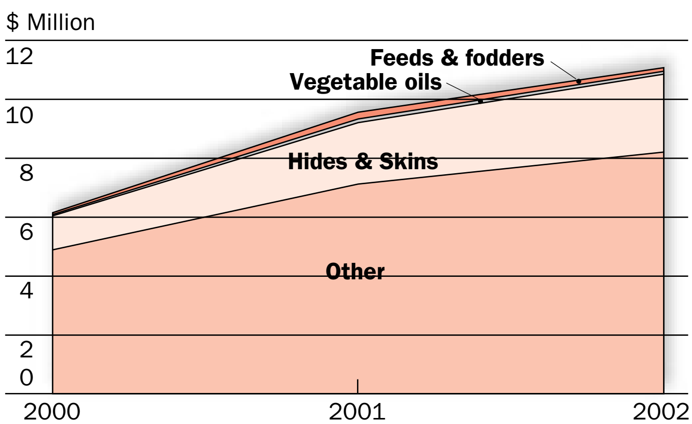
U.S. Export Trends in Poland

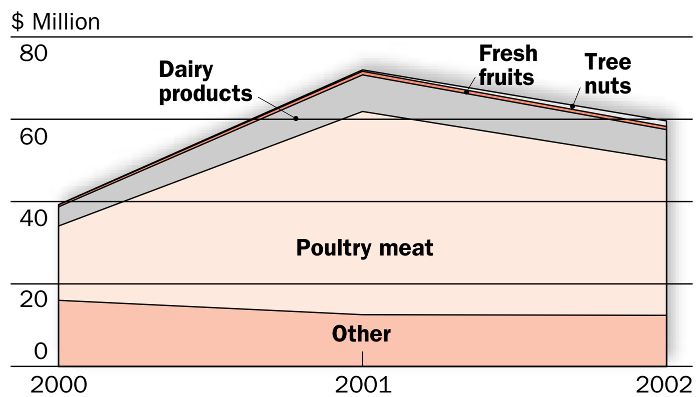
Sales of U.S. Agricultural, Fish and Forest Products Have Fluctuated Markedly in Recent Years.



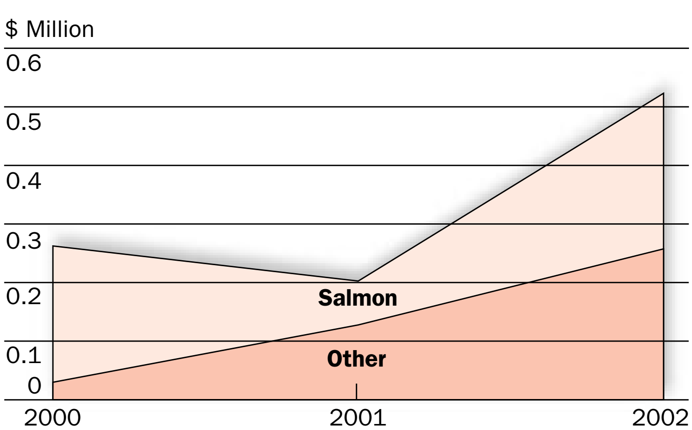
U.S. Intermediate Product Sales Soared Steadily, Rising 80 Percent Over the Period.*



U.S. Consumer-oriented Product Sales Climbed a Hefty 50 Percent. However, Poland's EU Accession Will Likely Constrain Sales of Some Important Products, e.g., Poultry and Red Meats.*



U.S. Fish Product Sales Nearly Doubled. But Accession Will Hamper Herring and Mackerel Trade.*



U.S. Forest Product Sales, On the Other Hand, Shrank 39 Percent.*

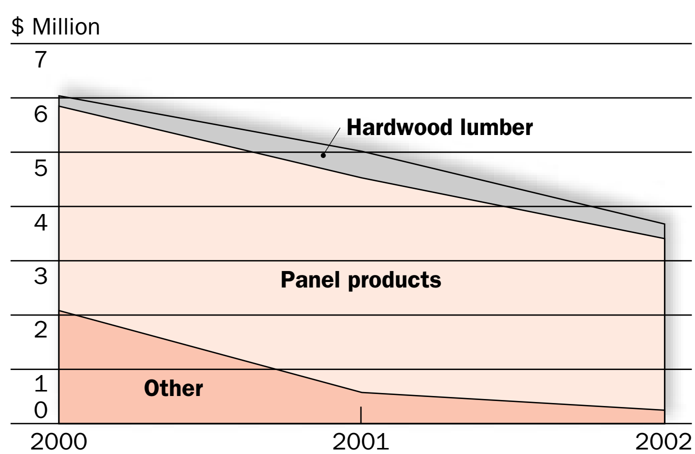


*Chart labels refer to biggest period gainers.

POLAND IS EUROPE'S NINTH LARGEST COUNTRY AND THE LARGEST OF 10 EU ACCESSION CANDIDATE COUNTRIES, ACCOUNTING FOR OVER 50% OF THEIR COMBINED POPULATION.

the EU. The government will also be changing its legal system to attain an EU-compatible certification system. Overall, the modernization of import regulations should enable some U.S. agricultural products not now present in Poland to enter the market.

Food Service Sector Growth

The development of tourism, increasing employment among women and gains in annual per capita income have resulted in large growth for Poland's hotel, restaurant and institutional sector. During the next decade, overall consumer purchasing power is expected to rise.

For Poles living in urban areas, eating out is no longer a rarity. Consumers are developing a variety of food tastes from Mediterranean to Asian, with a specific demand for fast food.

As a result, consumer-oriented products such as fresh fruits and vegetables, processed oils, coffee, cocoa and confectionery now account for some 50 percent of all Polish agricultural and food imports.

At the same time, as consumer income grows, the number of hypermarkets has expanded from 27 in 1996 to more than 170 by the end of 2002. The foreign supermarket chains of Carrefour, Auchan, E. Leclerc, Ahold, Tesco and Geant have opened many of these stores. These large markets will account for more than 40 percent of retail food sales in the next five years.

Competition for this value-added food sector is intense, particularly from Germany and the Netherlands. Nevertheless, U.S. suppliers have an opportunity to make inroads into the Polish market with such items as:

- Convenience, new-to-market, ready-to-eat products

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- Select foods for upscale hotels and restaurants
- Wines
- Some seafood products
- Dried fruits and nuts
- Luxury food and drinks
- Some food ingredients
- Products viewed as "natural"

Making a trade visit to Poland or participating in a trade show are the best ways to introduce products to Polish customers.

Seafood Prospects

In Poland, seafood demand far outstrips supply. The seafood processing industry depends on imports. Norway supplies around 50 percent of Polish seafood needs. However, U.S. sales have increased in recent years, from 314 tons in 2000 to almost 2,000 tons in the first nine months of 2002. And with expected annual increases in seafood retail sales, the potential remains for U.S. companies to enter this market.

Polish seafood imports are expected to increase 10 percent annually. There is significant demand for herring and mackerel, as well as value-added fish products such as fish sticks made from herring fillets. Unfortunately, export opportunities for U.S. herring and mackerel will suffer because of higher import duties that will be implemented by Poland when it enters the EU.

Niche markets are expanding for oysters and salmon. With its excellent port access and central location, Poland is a favorable transshipment point for seafood destined for other Central and East European fish processing markets.

The best ways to enter the Polish Central/East European seafood market are by trade visits and by linking up with Polish buyers attending the European Seafood Exposition held in Brussels, Belgium.

A health certificate issued by a government-approved veterinarian from the exporting country must accompany any fish shipment to Poland. Retail product packages must be labeled in Polish with the "best before" date clearly marked. ■

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For details, see FAS Reports PL2032, PL2034 and PL2037. To find them on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

U.S. Dairy Products Selling Well in Mexico

By Salvador Trejo and Gabriel Hernandez

The signing of NAFTA (the North American Free Trade Agreement) has increased opportunities for U.S. dairy products in Mexico. With $201.6 million worth of sales in 2002, Mexico is the largest (and fastest growing) market for certain U.S. products: nonfat dry milk, fluid milk, cheese, yogurt and ice cream.

With the exception of powdered milk, all U.S. exports of dairy products to Mexico became duty-free as of Jan. 1, 2003. Powdered milk, however, is another matter. In 2003, it is subject to a zero duty import quota for the first 52,191 metric tons—but exports over this amount are subject to an import duty of 58.7 percent. Milk powder exports will have to wait until 2008 to enter duty-free.

Private importers still must obtain a share of an import quota for powdered milk through bidding in an auction organized by the Mexican government. Import certificates are then issued to specific companies or individuals according to their registered activity, be it distribution or processing. Imports by LICONSA (Mexico's social feeding program) are not subject to these license requirements. Since 1994, no import permits (certificates) have been required for other dairy products.

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Quesolutions Pays Off

The USDEC (U.S. Dairy Export Council) represents U.S. dairy interests in Mexico. The council's staff in Mexico City provides information on all aspects of U.S. dairy product trading and use, including market intelligence on trade policy issues, organizing informational seminars for the Mexican trade and developing promotional and sales opportunities for U.S. dairy products in the Mexican market.

Its cheese promotion campaign has a readily recognized national slogan—*Quesolutions*—which is a play on the Spanish words for "what a solution" and "cheese solution."

The association's promotions in retail stores have resulted in increased sales of U.S. dairy products averaging 25 percent. Promotions in the hotel, restaurant and institutional sector have been conducted through Italianni's restaurants, Costco and Domino's Pizza. A back-to-school promotional campaign for cheese was particularly popular with Mexican schoolchildren.

USDEC also organizes food service seminars in large tourist areas. The association brought Mexican buyers on a trade mission to the United States, where they visited dairy processing plants and suppliers and checked out the services and products offered.

These marketing efforts have had positive results for U.S. exporters. U.S. dairy exports to Mexico increased from 138,482 tons in 1996 to 201,839 tons in 2002. U.S. cheese imports surged a colossal 223 percent during the period, up to 21,101 tons in 2002.

Outlook Good for Powdered Products

Whole and nonfat dry milk powder. Powdered milk imports for 2002 reached 230,000 metric tons. LICONSA normally uses about 65 percent of these imported products. The local subsidized price for powdered milk is around $2.92 per pound. U.S. exports topped 53,614 tons in 2002.

Fluid milk. Current average consumer prices in Mexico are 75 cents per liter for pasteurized milk and about 90 cents per liter for ultra heat-treated milk. The United States is the main supplier of fluid milk to Mexico, exporting 35.5 million liters there in 2002.

Cheese. Expected imports of 21,101 tons from the United States were up 2.2 percent in 2002 over 2001. Middle and upper income consumers are demanding more cheese and a greater variety. Local prices for fresh cheese average $2.50 per pound.

Butter. Most imports of butter and butterfat are used to reconstitute milk powder. Exports to Mexico for 2002 amounted to 423 tons; the local price is about $2.20 per pound.

Distribution Mostly on Regional Level

U.S. exporters need to find local representation for their products. Few major national distributors have the capacity to handle dairy food products. To ensure the best distribution, U.S. exporters should complement their national distributors with regional ones.

Though larger retailers are looking to import directly, most of these stores do not yet have cold storage large enough to guarantee product quality on the shelf.

Many Mexican dairy manufacturers have established distribution systems to handle their own products. Some regional distributors also specialize in dairy products. Some foreign suppliers have set up alliances with domestic manufacturers to distribute their products. ■

It's in the Genes

Mexico's dairy industry is currently unable to supply all the country's needs. Poor sanitation and genetics, inefficient cold storage and refrigeration, and outdated transportation and marketing facilities hamper expansion.

Confined production systems in northern Mexico are similar to those in the United States. However, they average only 75 percent of the output of U.S. dairies. Some large dairies continue to focus on increasing productivity through the use of improved genetics, feed formulas and seasonal comfort systems, such as water mist sprayers during summer months.

Semi-confined systems in central Mexico and dual-purpose cattle operations, mostly in southern Mexico, have lowered productivity.

Higher prices for domestic raw milk are encouraging small and medium-sized dairy farms in central Mexico to expand milk production by improving their stock.

According to Government of Mexico statistics, almost 4,000 head of dairy cattle were imported from the United States and Canada during 2002.

Increased use of semen to improve dairy genetics is expected in the future. Heightened competition from new-to-market suppliers such as New Zealand, Australia and the European Union is also expected.

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For details, see FAS Report MX2070. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

Liberalization Steams Up Hong Kong's Rice Market

By Caroline Yuen and Chris Li

Although Thailand is expected to retain its status as dominant supplier (almost 83 percent in calendar year 2002), the newly liberalized rice trade in Hong Kong is expected to bring more players into the market.

Now is an opportune time for suppliers with high quality, competitively priced U.S. rice to make a move to increase sales from the current $2 million a year. Drought conditions in Australia, Hong Kong's No. 2 supplier, will probably lessen that country's exports in 2003.

Restrictions Lifted

Because rice had long been the critical staple in a region that doesn't produce its own crop, Hong Kong's government imposed a control system in 1955, when supply was a major community concern. Strict financial and residency requirements for importers and wholesalers, along with allocated import quotas and high stock reserves, limited imports and kept prices artificially high.

Ironically, it was a fall-off in consumption that convinced Hong Kong's government that the time was ripe to open the rice import market. Beguiled by Western-style foods, consumers began to vary their rice-based diets. The average annual per capita consumption of rice dropped from 78 kg (1 kilogram = 2.2046 pounds) in 1975 to 48 kg in 2000, down 38 percent.

The elimination of Hong Kong's import quota system on Jan.1, 2003, ended the 48-year trade regime that controlled its rice supply. Liberalization that began in 1997 paved the way for the final removal of entry barriers and middle layers of distribution.

Prices Coming Down

Currently, 40 percent of rice sells through the retail sector, while 60 percent goes to the catering industry. There are no longer restrictions on who can sell to whom. Since importers can now sell directly to retailers or consumers, distribution costs are lower. The reduced requirement for stock reserves (from 45,000 metric tons before 1998 to 13,500 tons in 2002) has also cut warehousing expenses for importers.

True to projections, retail prices for rice have already dropped—around 30-50 percent from December 2002 to April 2003, with more declines expected. ■

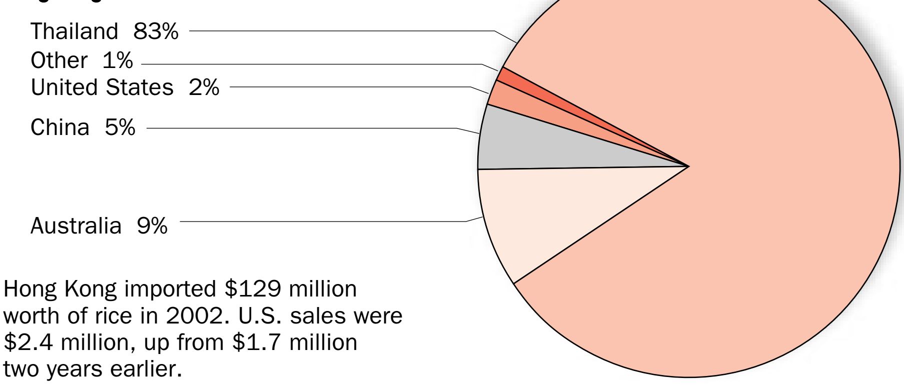
U.S. Rice Prices Competitive

While Hong Kong consumers are accustomed to buying Thai rice and favor its flavor, texture and competitive price, U.S. suppliers are getting their chance to compete with Thai and other rice suppliers. The increasing number of importers who want quality and good pricing will be looking for more sources.

U.S prices for the first part of 2002 were very competitive, in fact the lowest after Thailand. China's prices have been highest.

Average Price Per Kilogram in 2002 (in U.S. Dollars)
China: 0.54
Australia: 0.48
Thailand: 0.37
United States: 0.39

U.S. Rice Suppliers Have Greater Access to Hong Kong's Market



Hong Kong imported $129 million worth of rice in 2002. U.S. sales were $2.4 million, up from $1.7 million two years earlier.

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For details, see FAS Report HK3002. To find it on the Web, start at **www.fas.usda.gov,** select Attaché Reports and follow the prompts.

TRADE SHOW OPPORTUNITY

FOOD ASIA 2004

SINGAPORE

When: April 20-23, 2004

Who Should Attend: U.S. manufacturers and exporters of food and beverage products.

Why: Singapore is located at the heart of Asia, which has a huge combined market. In a recent survey done by Economist Intelligence Unit, Singapore was voted as having the best business environment in Asia. Singapore is well-served by air, sea and telecommunications connectivity. As the world's busiest port, Singapore is the focal point for 400 shipping lines to more than 700 ports worldwide.

Over 33,000 international buyers from 92 countries attended Food Asia 2002. For Food Asia 2004, you will find thousands of buyers from hotels, restaurants, fast-food/quick-service outlets, supermarkets, hypermarkets, grocery stores, as well as food and drink importers, wholesalers, distributors and purchasing officers in industrial catering—to name a few.

The Market: Economically and industrially, Asia is the fastest growing region in the world. U.S. exports of consumer-oriented agricultural products to the ASEAN region from January to November 2002 amounted to $605.2 million. Asia has more than one-half of the world's population, with a projected growth of 44 percent over the next 50 years.

Best Prospects: Fresh produce, chilled and frozen foods, meat and poultry, confectionery, snacks, ice cream, dairy products, seafood, specialty foods, ingredients, processed and convenience foods, drinks and beverages

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TRADE SHOW OPPORTUNITY

GREAT AMERICAN FOOD SHOW 2003

SANTO DOMINGO, DOMINICAN REPUBLIC

The Show: Don't miss this unique opportunity to promote your food and beverage products in the Dominican Republic and other Caribbean nations. This year's **Great American Food Show** will be bigger and better than ever.

Show attendance will be limited to trade only, and targeted one-on-one appointments will be arranged for each exhibiting company. To add a regional focus to the show, representatives of key importers, distributors and supermarket, hotel, restaurant and tourism companies from Jamaica and Haiti will also attend, giving you access to three markets that bought over $225 million in U.S. processed food products last year.

Location: The Great American Food Show will be held in the exclusive Renaissance Jaragua Hotel on the central Santo Domingo waterfront.

Dates: The show will run **Sept. 30-Oct. 1, 2003.**

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Trade Notes...

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USDA Negotiates Reopening of Ukraine Poultry Market

The United States and Ukraine have signed a protocol that ends a 16-month ban on U.S. poultry exports to that country. The protocol establishes a revised veterinary certificate for poultry exports to Ukraine that will be issued by USDA's Food Safety and Inspection Service if the product complies with the conditions agreed upon with Ukraine. The United States exported poultry and poultry products worth $11 million to Ukraine in 2001, the last year that market was open.

SIAL Montreal 2003 Sales May Hit $18 Million

U.S. companies reported $18 million in projected sales at the second SIAL in Montreal, Canada. The U.S. pavilion had 53 companies, with a business center and a cooking demonstration area, where a local chef showcased products from the participating U.S. companies.

USDA Signs Agreements with Colombia and Uruguay

In April, Secretary of Agriculture Ann M. Veneman signed Memoranda of Understanding (MOUs) with the Colombian Ministry of Agriculture and Rural Development and with the Uruguayan Livestock, Agriculture and Fisheries Ministry, to establish Consultative Committees on Agriculture (CCAs). The CCAs with Colombia and Uruguay will help foster cooperation on trade issues and increase communication and coordination in a number of areas, including market access, food safety, research, technical assistance and standards setting.

Colombia is the largest market for U.S. agricultural exports in Central and South America. In 2002, U.S. agricultural, fish and forest product exports to Colombia were valued at $523 million, with grains and feeds, oilseeds and products, horticultural products and cotton representing key export categories. U.S. imports of agricultural, fish and forest products from Colombia in 2002 were valued at $980 million, with cut flowers and coffee among the leading import items.

Last year, the United States exported $16.7 million in agricultural products to Uruguay, with consumer-oriented products like snack foods, red meats, pet foods and dairy products leading the way. U.S. imports of agricultural products from Uruguay totaled nearly $58 million, with consumer-oriented items and fish and seafood products comprising the largest import categories.

South Korea Improves Access for U.S. Cherries

South Korea now allows imports of all varieties of U.S. fresh cherries produced in areas certified to be free of *Blumeriella jaapii* (cherry leaf spot). Prior to this year, only three varieties of U.S. cherries had been approved for export to Korea. The cherries must also be fumigated with methyl bromide prior to shipment. Presently, 32 counties in California, Washington, Idaho and Oregon are deemed free of the cherry disease. U.S. exports of fresh cherries to South Korea reached $1.3 million in 2002, an increase of nearly 27 percent over the previous year.

Boston Seafood Show Nets Croaker Exports to Nigeria

In March, an FAS Lagos attaché office representative accompanied Nigerian seafood buyers to the Boston International Seafood Show. This seafood team, the first ever recruited by FAS Lagos, included fish importers, distributors, fishermen and cold storage facilities managers. FAS arranged one-on-one meetings between the Nigerian buyers and U.S. seafood exporters. Following the show, two importers visited a Suffolk, Va., croaker supplier and agreed to purchase four containers of croaker per month, worth up to $2 million annually.

Also in This Issue:

- An export guide to Germany
- Changes in Poland's export landscape
- Trade show opportunities in Asia and the Americas

And Next Time, Turn to AgExporter for:

- Retailing in South Korea
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